

ORIGINAL

OPEN MEETING



0000114510

MEMORANDUM

RECEIVED

TO: THE COMMISSION

Arizona Corporation Commission

DOCKETED

2010 JUL 14 P 4: 41

FROM: Utilities Division

JUL 14 2010

AZ CORP COMMISSION
DOCKET CONTROL

DATE: July 14, 2010

DOCKETED BY	
-------------	--

RE: TUCSON ELECTRIC POWER COMPANY. - APPLICATION FOR APPROVAL OF PRICING PLAN RIDER-3 MARKET COST OF COMPARABLE CONVENTIONAL GENERATION (DOCKET NO. E-01933A-10-0161)

Background

On April 28, 2010, Tucson Electric Power Company ("TEP" or "Company") filed an application for approval of its revised pricing plan Rider-3 Market Cost of Comparable Conventional Generation ("MCCCG") to update its avoided cost rate. TEP's proposed Pricing Plan Rider-3 specifies a standard rate to be paid for purchases of excess energy from Net Metering Facilities.

The Commission's Decision No. 71411 approving TEP's Net Metering tariff ("NM-PRS") stated:

Each calendar year, for the customer bills produced in October (September usage) or a customer's "Final" bill, the Company would credit the Customer for the balance of excess kWhs remaining. The payment for the purchase of these excess kWhs would be at the Company's applicable avoided cost. TEP has defined its avoided cost as the average hourly market cost of comparable conventional generation as specified on its proposed Pricing Plan Rider-3 applicable to the NM-PRS. Proposed Rider-3 shows the credit for excess generation to be 2.32¢ per kWh as of April 1, 2009.

The proposed Rider-3 indicated that the MCCCG will be filed annually by TEP for approval by the Commission.

Proposed Tariff

TEP's proposed revision to pricing plan Rider-3 would increase the MCCCG and therefore the avoided cost rate for purchases of excess energy from Net Metering Facilities.

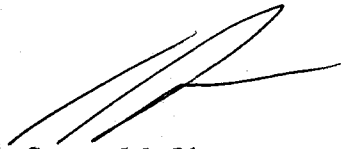
The revised Rider-3 shows the credit for excess generation to be 3.291¢ per kWh.

Staff has reviewed TEP's hourly marginal costs that resulted in the 3.291¢ rate and finds the data and calculations to be reasonable.

Recommendations

Staff recommends that TEP's revised Pricing Plan Rider-3 (MCCCG) as applicable to Pricing Plan Rider-4 NM-PRS be approved.

Staff further recommends that TEP file a Pricing Plan Rider-3 consistent with the Decision in this case within 15 days of the effective date of the Decision.



Steven M. Olea
Director
Utilities Division

SMO:JJP:lhv\JMA

ORIGINATOR: Jeffrey Pasquinelli

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 KRISTIN K. MAYES

Chairman

3 GARY PIERCE

Commissioner

4 SANDRA D. KENNEDY

Commissioner

5 PAUL NEWMAN

Commissioner

6 BOB STUMP

Commissioner

7
8 IN THE MATTER OF THE APPLICATION)
OF TUCSON ELECTRIC POWER)
9 COMPANY FOR APPROVAL OF PRICING)
RIDER-3 MARKET COST OF)
10 COMPARABLE CONVENTIONAL)
GENERATION)

DOCKET NO. E-01933A-10-0161

DECISION NO. _____

ORDER

12 Open Meeting
July 27 and 28, 2010
13 Phoenix, Arizona

14 BY THE COMMISSION:

15 FINDINGS OF FACT

16 1. Tucson Electric Power Company ("TEP" or "Company") is certificated to provide
17 electric service as a public service corporation in the State of Arizona.

18 2. On April 28, 2010, TEP filed an application for approval of its revised Pricing Plan
19 Rider-3, Market Cost of Comparable Conventional Generation ("MCCCG") to update its avoided
20 cost rate. TEP's proposed Pricing Plan Rider-3 specifies a standard rate to be paid for purchases
21 of excess energy from Net Metering Facilities.

22 3. The Commission's Decision No. 71411 approving TEP's Net Metering tariff (NM-
23 PRS) stated:

24 Each calendar year, for the customer bills produced in October (September usage)
25 or a customer's "Final" bill, the Company would credit the Customer for the
26 balance of excess kWhs remaining. The payment for the purchase of these excess
27 kWhs would be at the Company's applicable avoided cost. TEP has defined its
28 avoided cost as the average hourly market cost of comparable conventional
generation as specified on its proposed Pricing Plan Rider-3 applicable to the NM-
PRS. Proposed Rider-3 shows the credit for excess generation to be 2.32¢ per kWh
as of April 1, 2009.

4. The proposed Rider-3 indicated that the MCCCCG will be filed annually by TEP for approval by the Commission.

Proposed Tariff

5. TEP's proposed revision to pricing plan Rider-3 would increase the MCCCCG and therefore the avoided cost rate for purchases of excess energy from Net Metering Facilities.

6. The revised Rider-3 shows the credit for excess generation to be 3.291¢ per kWh.

7. Staff has reviewed TEP's hourly marginal costs that resulted in the 3.291¢ rate and finds the data and calculations to be reasonable.

Recommendations

8. Staff has recommended that TEP's revised Pricing Plan Rider-3 (MCCCCG) as applicable to Pricing Plan Rider-4 NM-PRS be approved.

9. Staff has further recommended that TEP file a Pricing Plan Rider-3 consistent with the Decision in this case within 15 days of the effective date of the Decision.

CONCLUSIONS OF LAW

1. TEP is an Arizona public service corporation within the meaning of Article XV, Section 2, of the Arizona Constitution.

2. The Commission has jurisdiction over TEP and over the subject matter of the application.

3. Approval of Pricing Plan Rider-3 does not constitute a rate increase as contemplated by A.R.S. Section 40-250.

4. The Commission, having reviewed the application and Staff's Memorandum dated July 14, 2010, concludes that Pricing Plan Rider-3 should be approved as discussed herein.

ORDER

IT IS THEREFORE ORDERED that the Tucson Electric Power Company's revised Pricing Plan Rider-3 be and hereby is approved as discussed herein.

IT IS THEREFORE ORDERED that the avoided cost rate of 3.291¢ per kWh shall be effective as of August 1, 2010.

...

1 IT IS FURTHER ORDERED that Tucson Electric Power Company shall file a revised
2 tariff consistent with this Decision, with Docket Control as a compliance matter to this docket,
3 within 15 days of the effective date of this Decision.

4 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

5
6 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

7
8
9 CHAIRMAN

COMMISSIONER

10
11 COMMISSIONER

COMMISSIONER

COMMISSIONER

12
13 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,
14 Executive Director of the Arizona Corporation Commission,
15 have hereunto, set my hand and caused the official seal of
16 this Commission to be affixed at the Capitol, in the City of
17 Phoenix, this _____ day of _____, 2010.

18
19 _____
20 ERNEST G. JOHNSON
21 EXECUTIVE DIRECTOR

22
23 DISSENT: _____

DISSENT: _____

24 SMO:JJP:lhmvJMA
25
26
27
28

1 SERVICE LIST FOR: Tucson Electric Power Company
2 DOCKET NO.: E-01933A 10-0161

3 Mr. Michael W. Patten
4 ROSHKA DEWULF & PATTEN, PLC
5 One Arizona Center
6 400 East Van Buren Street, Suite 800
7 Phoenix, Arizona 85004

8 Mr. Phillip J. Dion
9 Tucson Electric Power Company
10 One South Church Avenue, Ste 200
11 Tucson, Arizona 85701

12 Mr. Steven M. Olea
13 Director, Utilities Division
14 Arizona Corporation Commission
15 1200 West Washington Street
16 Phoenix, Arizona 85007

17 Ms. Janice M. Alward
18 Chief Counsel, Legal Division
19 Arizona Corporation Commission
20 1200 West Washington Street
21 Phoenix, Arizona 85007
22
23
24
25
26
27
28